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Dow falls 36.20 in reaction to signs of stronger job market, higher rates

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The stock market took a spill in heavy trading Thursday, faced with rising interest rates as Wall Street responded warily to signs of a strengthening job market.

The Dow Jones average of 30 industrials fell 36.20 to 3,268.96, for its sharpest decline since it dropped 39.43 points Oct. 9. Other, broader market measures showed less dramatic losses. Declining issues outnumbered advances by about 8 to 5 on the New York Stock Exchange.

The Labor Department reported that initial claims for state unemployment insurance fell by 40,000 to 291,000 in the week ended Dec. 26, hitting their lowest level in nearly four years.

The drop was much more pronounced than analysts had been expecting and underscored a recent trend toward a healthier job market, even though the latest numbers were

thought to be skewed a bit by the Christmas holiday.

"The current trend in initial claims clearly shows improving labor conditions," said Bob Prince at Bridgewater Associates in Wilton, Conn.

The news met with a cool reception in the bond market, however. Interest rates moved up on visions of stepped-up credit demand that normally accompanies increased business activity.

Prices of long-term government bonds dropped more than \$10 for each \$1,000 in face value, raising their yields to about 7.44 percent.

Stock traders also showed little enthusiasm. Brokers noted that stocks, with their advance to record highs last year, already had gone a considerable distance toward anticipating an economic revival.

A big question on investors' minds now is whether and when a rise in interest rates might dampen the ap-

peal of stocks.

Philip Morris rose 1/4 to 72 1/2 as the most active NYSE issue, rebounding from a recent selloff prompted by worries over government moves against "passive" smoke and possible new taxes on cigarettes.

The company said it expects to report a 20 percent earnings increase for 1993 and is planning for "a strong year for all our businesses" in 1993.

But most other blue chips took the brunt of the selling. IBM fell 1 to 47, hitting a 17-year low; General Motors 1/4 to 33 1/4; Merck 1/4 to 41 1/4; Wal-Mart Stores 1 1/4 to 39 1/4, and International Paper 1 1/4 to 64 1/4.

Charles Schwab Corp. jumped 3 to 28 1/4. The company said it posted a fourth-quarter earnings increase of about 33 percent from the comparable period a year earlier. Other brokerage-house stocks also responded to Schwab's report of strong business. Merrill Lynch gained 1/4 to 39 1/4; Morgan Stanley 1/4 to 55 1/4, and Paine, Webber 1/4 to 23 1/4.

Airline issues also were mostly higher on economic recovery hopes. UAL rose 1/4 to 128; Delta Air Lines 1/4 to 51 1/4, and AMR 1 1/4 to 68 1/4.

But bank stocks posted broad losses. J.P. Morgan, a Dow component, dropped 1 1/4 to 64; BankAmerica 1/4 to 44; Citicorp 1/4 to 21 1/4, and Chemical Banking 1/4 to 37 1/4.

The NASDAQ composite index for the over-the-counter market lost 3.64 to 678.21. At the American Stock Exchange, the market value index was down .48 at 397.12.

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